

Message Text

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SUBJECT: EC COUNCIL OF MINISTERS, FEBRUARY 10: HIGHLIGHTS OF
THE FIRST DAY

REF: A) EC BRUSSELS 499

B) EC BRUSSELS 00905

1. SUMMARY: THE EC COUNCIL OF FOREIGN MINISTERS ON
FEBRUARY 10 DISCUSSED A VARIETY OF SUBJECTS ON THE FIRST DAY
OF A TWO-DAY SESSION. THE COUNCIL'S DISCUSSIONS ON TRADE
RELATIONS WITH IRAN, MEMBER STATES' COOPERATION TO PREVENT
TAX EVASION AND AVOIDANCE, AND ON PREPARATIONS FOR THE
MTN AND FOR THE PRELIMINARY CONSUMER/PRODUCER CONFERENCE
ARE REPORTED IN SEPTELS. THIS CABLE REPORTS ON THE
OTHER SUBJECTS COVERED BY THE MINISTERS ON FEBRUARY 10,
NAMELY UK BUDGET CONTRIBUTIONS, WHICH RESULTED IN SOME
PROGRESS; PREPARATIONS FOR THE EUROPEAN COUNCIL, INCLUDING
AGREEMENT ON A PROVISIONAL AGENDA FOR THE HEADS OF
GOVERNMENT IN DUBLIN; THE SETTING UP IN IRELAND OF THE
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EUROPEAN FOUNDATION FOR THE IMPROVEMENT OF LIVING AND
WORKING CONDITIONS; AND A FRENCH REQUEST TO EASE

IMPORT RESTRICTIONS ON CERTAIN TEXTILE PRODUCTS AND
ON ALUMINUM COMING FROM STATE TRADING COUNTRIES.

2. UK BUDGET CONTRIBUTIONS: THE MINISTERS HELD A
BRIEF DISCUSSION ON THE COMMISSION'S PROPOSALS
REGARDING CORRECTING INEQUITIES IN MEMBER STATES'
CONTRIBUTIONS TO THE EC BUDGET. ACCORDING TO OUR
SOURCES, THERE WAS SUBSTANTIAL AGREEMENT ON THE
COMMISSION PAPER--INCLUDING THE FRENCH AND THE GERMANS--
ALTHOUGH SEVERAL DELEGATIONS RAISED PARTICULAR POINTS
OF CONCERN. THE UK, AND TO A LESSER EXTENT, DENMARK
AND THE NETHERLANDS, WERE CONCERNED ABOUT THE REQUIRE-
MENT THAT A MEMBER STATE SHOULD BE IN A BALANCE OF
PAYMENTS DEFICIT IN ORDER TO BE ELIGIBLE FOR REIMBURSE-
MENT. THE UK STATED THAT A POSITIVE BALANCE OF
PAYMENTS DID NOT NECESSARILY PROVE THAT A COMMUNITY
MEMBER HAD A HEALTHY ECONOMY. FOREIGN SECRETARY
CALLAGHAN SAID THAT IT WAS "PROBABLY FAIR" THAT NET
GAINERS I.E. THOSE WHO RECEIVE MORE FROM THE EC
BUDGET THAN THEY CONTRIBUTE TO IT, SHOULD NOT RECEIVE
REIMBURSEMENT. THE ITALIAN AND DANISH DELEGATIONS
VOICED CONCERN ABOUT THAT PORTION OF THE COMMISSION
PAPER WHICH DEALS WITH THE VALUE ADDED TAX, SAYING
THAT THEY WANTED MORE TIME TO STUDY THE IMPACT OF
THIS PROPOSAL. AS A RESULT OF THIS DISCUSSION, THE
COMMISSION PROPOSAL HAS BEEN SENT TO THE COMMITTEE OF
PERMANENT REPRESENTATIVES (COREPER) FOR FURTHER STUDY.
COREPER HAS BEEN INSTRUCTED TO UNDERTAKE THIS STUDY
IN CONJUNCTION WITH FINANCIAL EXPERTS FROM THE NINE
AND THE COMMISSION AND TO HAVE THE MATTER READY FOR
FURTHER CONSIDERATION WHEN THE FOREIGN MINISTERS MEET
ON MARCH 3 AND 4. BRITISH SOURCES INDICATED THAT THE
MINISTERS' DISCUSSION WAS "HELPFUL" AND THAT THINGS
WERE STILL ON THE TRACK. THEY EMPHASIZED, HOWEVER,
THAT TOUGH RENEGOTIATING REMAINED BEFORE A MECHANISM
COULD BE DEvised WHICH WOULD BE FULLY ACCEPTABLE TO
THE U.K. COUNCIL PRESIDENT FITZGERALD TOLD THE PRESS
THAT THE ISSUE OF UK RENEGOTIATION HAD BEEN TENTATIVELY
INSCRIBED ON THE AGENDA FOR THE FIRST EUROPEAN
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COUNCIL (MARCH 10-11) BUT THAT HE THOUGHT IT POSSIBLE
THAT A SUCCESSFUL CONCLUSION COULD BE REACHED, AT
LEAST ON THE BUDGET ISSUE, PRIOR TO THAT TIME.
FRANCE AND GERMANY CONTINUED TO INSIST THAT THE
CORRECTIVE MECHANISM EXPIRE AFTER SEVEN YEARS.

3. PREPARATIONS FOR THE EUROPEAN COUNCIL: THE
MINISTERS MET IN RESTRICTED SESSION TO PREPARE FOR
THE MARCH 10-11 EUROPEAN COUNCIL (HEADS OF
GOVERNMENT) IN DUBLIN. THEY SPENT MOST OF THEIR TIME

DISCUSSING ARRANGEMENTS AND PROCEDURES. THEY ALSO PROVISIONALLY AGREED UPON AN AGENDA SO THAT BACKGROUND PAPERS MAY BE PREPARED. ACCORDING TO FITZGERALD, THE AGENDA, IN ADDITION TO THE UK RENEGOTIATION ISSUE, WILL INCLUDE THE WORLD ECONOMIC SITUATION, THE PRODUCER/ CONSUMER CONFERENCE, CSCE, AND "THE UN CONFERENCE ON RAW MATERIALS)". (COMMENT: WE PRESUME HE IS REFERRING TO THE UNCTAD 6TH SPECIAL SESSION MEETING SCHEDULED TO BEGIN MARCH 10. (END COMMENT).

4. FOUNDATION FOR THE IMPROVEMENT OF LIVING AND WORKING CONDITIONS: THE MINISTERS APPROVED THE ESTABLISHMENT IN IRELAND OF A FOUNDATION FOR THE IMPROVEMENT OF LIVING AND WORKING CONDITIONS. THE FOUNDATION WILL BE THE FIRST COMMUNITY INSTITUTION IN IRELAND AND ITS LOCATION THERE REPRESENTS A VICTORY FOR THE IRISH WHO FACED STIFF COMPETITION FROM THE NETHERLANDS AND SEVERAL OTHER MEMBER STATES.

5. RELATIONS WITH STATE TRADING COUNTRIES: CONTRARY TO THE EXPECTATIONS OF MANY OBSERVERS, THE COUNCIL DID NOT HEAR A REPORT FROM EC COMMISSION DIRECTOR GENERAL FOR EXTERNAL RELATIONS WELLENSTEIN ON HIS TALKS WITH COMECON OFFICIALS IN MOSCOW LAST WEEK. THE FRENCH, HOWEVER, PROPOSED THE EASING OF IMPORT RESTRICTIONS FOR ALUMINUM AND FOR TEXTILE PRODUCTS COMING FROM EASTERN EUROPE. A NUMBER OF DELEGATIONS OBJECTED TO THIS, SAYING THAT THE PRODUCTS WERE TOO SENSITIVE TO BE LIBERALIZED AT THIS TIME. THE MATTER HAS BEEN REFERRED TO COREPER FOR FURTHER CONSIDERATION.

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